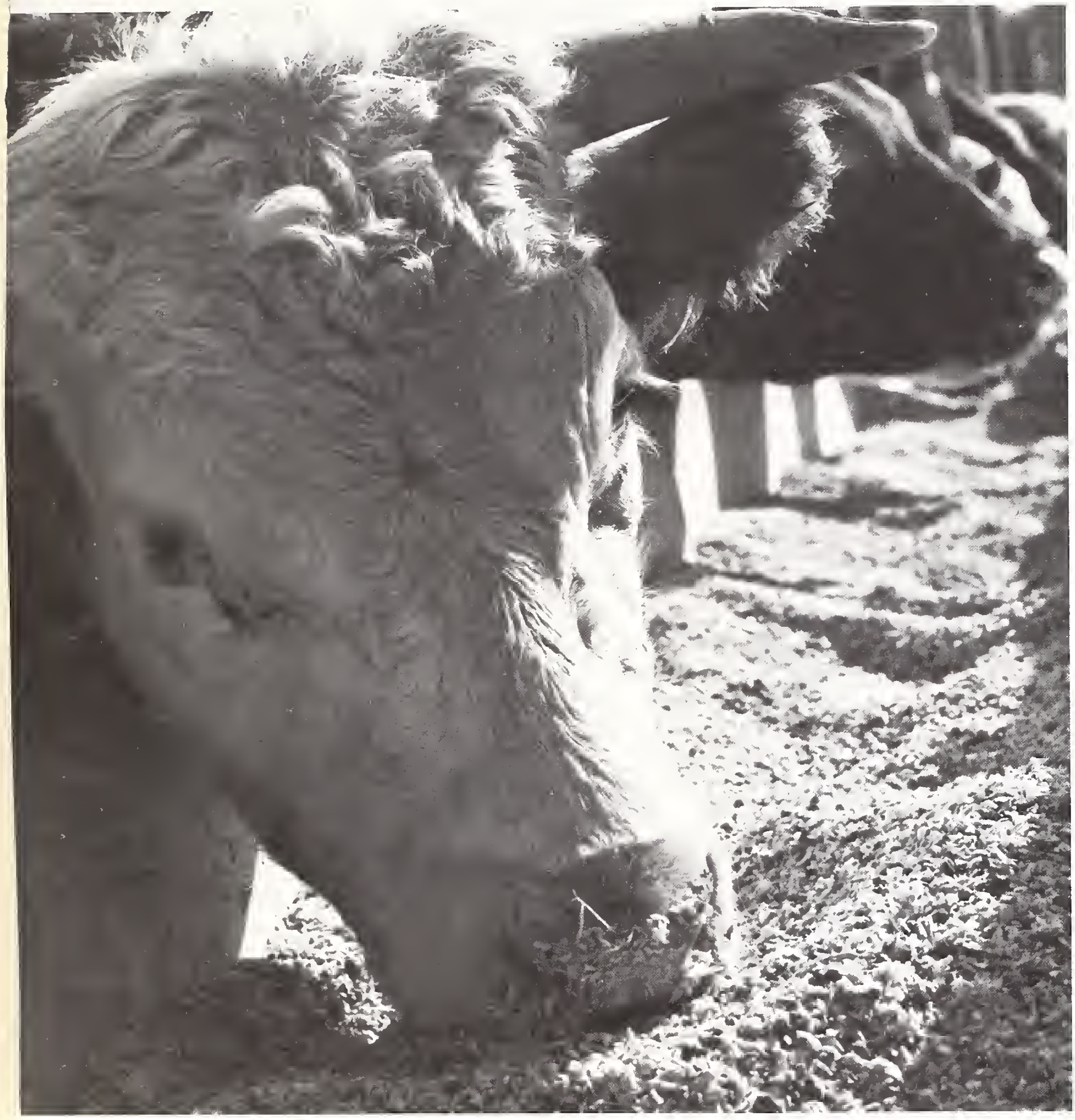
FOREIGN AGRICULTURE



January 10, 1972

Canada's Changing Grain-Beef Mix

Conditions and Effects: U.S. Feedgrain Sales to USSR

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In this issue:

This week's cover:

Steer in feedlot near Lethbridge, Alberta, eats mixture of barley and other feed ingredients for fattening. Trends in both Canadian beef and grain production are discussed in the story beginning on this page.

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Canadian agriculture is undergoing significant changes that will have an important impact on world agriculture trade and markets. Recent events and product trends indicate their direction. Wheat production is down from the level of the mid-1960's, and both coarse grain and beef production are increasing rapidly. Recent Government policy changes tend to reinforce these trends.

In the mid-1970's, coarse grains will be more important relative to wheat than in the 1960's, and beef production will be up, but barely enough to meet the demand.

Trade. Canada is second only to the United States as a supplier of wheat to world export markets. However, in re-

Canadian Grain and Beef Production Expected To Show Gains by 1975

cent years Canada's exports and share of the world market have declined, leading to a period of adjustment in the Canadian wheat economy. During this period new export markets were sought for both wheat and coarse grains; farmers in the wheat producing area of western Canada diversified from wheat; and the Government initiated new policies which encouraged increased production of coarse grains and livestock.

Canada's cattle and beef trade patterns have shifted somewhat within the past few years. Beginning in 1969 Canada's beef imports, mainly from Oceania, increased greatly. Feeder cattle exports to the United States dropped from an estimated figure of over 300,000 head in 1965 to less than 10,000 in 1970, but fresh and frozen beef exports to the United States have not declined.

These changing trade patterns were caused in part by a period of beef herd depletion within Canada from 1965 to 1968, which has resulted in lower availability of feeder cattle. At the present time, emphasis is being placed on expanding the beef breeding herd in order to meet rapidly growing demand.

Production. Wheat production has always dominated agriculture in Canada's western Prairie Provinces (Manitoba, Saskatchewan, and Alberta). In 1966 wheat accounted for 55 percent of the region's cropland. However, wheat's dominant status has declined during the past decade, as production of other commodities—particularly coarse grains, oilseeds, and cattle—increased in relative importance. This trend accelerated in 1969 and later years, but wheat remains the single most important crop.

Almost all corn is produced in eastern Canada, away from the principal spring wheat producing area of the Prairies. Corn production—although still quite small when compared to barley and oats (the principal Prairie feedgrains)—more than tripled between 1960 and 1970. Nevertheless, corn imports from the United States remained in the 20-million- to 30-million-bushel per-year range throughout the 1960's.

Beef production is concentrated in the Prairies and in the eastern Province of Ontario. Eastern Canada is deficit in feeder cattle production, however, and relies in part upon feeders produced in the Prairies. Since 1960 the cattle industry has grown more rapidly in the west than in the east.

Outlook. Looking ahead to 1975, what changes can be expected in Canadian grain and beef production and export availabilities.

In order to obtain some idea of what to expect, projections of future production were made. These were based upon past trends, recent developments, expected policies, price-response relationships, and two price assumptions.

It should be emphasized that "projections" such as these differ from "forecasts." Projections estimate future developments if certain important assumptions are valid. In this study there was no attempt to actually analyze and predict future prices; they were merely assumed. Actual prices will depend upon world market conditions, which were not analyzed in this study.

The first assumption was that recent (1967-69) grain prices would prevail in 1975, and the second, that grain prices would gradually decline to a level 15 percent below that prevailing during the 1967-69 period. Cattle prices were held constant at 1967-69 levels under both assumptions. Recent production and export levels and projected 1975 production and export availability are shown in the accompanying table.

By 1975, wheat production will increase somewhat from the levels of 1970 and 1971, but it will not reach those attained during the mid-1960's. Limited export opportunities, reflected to the producer in restricted marketing quotas and lower prices, will retard wheat production.

Markets for alternative commodities (coarse grains, oilseeds, and livestock), however, are expected to remain good. Gross receipts per acre from alternative crops in the Prairie Provinces are not less than those received for wheat, and Government policies favor a lessening

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Based on a comprehensive Economic Research Service Study, "Growth Potential of the Grain and Livestock Sectors of Canada," by Edmond Missiaen and Arthur L. Coffing, to be published by ERS. Inquiries may be addressed to Economic Research Service, U.S. Department of Agriculture, Washington, D.C. 20250.

of the relative importance of wheat in Prairie agriculture.

Given a continuation of recent (1967-69) price levels, Canadian wheat export availability probably will approach 500 million bushels in 1975—near the level of exports achieved during the 1963-66 period. However, if grain prices fall by 15 percent, 1975 wheat export availability probably would drop to about 360 million bushels—a little higher than the export level during the 1967-69 period.

Since 1969 Canada has become an important competitor in the world coarse grains market, and it will remain a factor in this market owing to continued large exports of barley. A major factor behind Canada's emergence as a large exporter of coarse grains is a new export marketing policy based on more competitive pricing and increased supplies of barley for export. In the past, barley exports were a residual of domestic demand. In addition, barley yields have been increasing faster than wheat yields, and barley is a good alternative to Prairie wheat production.

If recent prices continue, barley production probably will exceed domestic consumption by some 190 million bushels in 1975—a level somewhat above the record exports of the 1970-71 marketing year. If grain prices drop by 15 percent, barley production can be expected to remain at a level a little higher than the production of 1970, but export availability would drop to less than half the above figure. Oats production very likely will continue to decline, with consumption matching production.

Corn has potential for expanding in eastern Canada, and if prices remain at recent levels, 1975 production can be expected to increase enough to cut import requirements in half. If prices decline by 15 percent, however, import requirements will continue to grow.

The demand for beef in Canada has grown at a rapid pace, and it will continue to do so during the 1970's. In response to this, beef production is likely to increase greatly, but barely enough to meet the heavy demand. Three factors—limited forage and pasture resources, herd depletion in the late 1960's, and the steady decline in the dairy herd—combine to restrict the rate at which beef output can increase during the next few years. Growth in the beef breeding herd will occur in western Canada—mostly in the Prairie Provinces, where land is available.

Converting land to pasture or forage for beef production is expensive. Seeded pasture takes several years to reach full production. As a result, short-run returns are much more favorable for grain or oilseed production. Government programs, particularly the forage incentive program, which has the goal of converting 4 million acres of cropland to forage, will assist in providing the needed land resources.

The depletion of the Canadian beef cattle herd during 1965-68 has made the attainment of greatly increased production during the early 1970's difficult because resources must be diverted for rebuilding the breeding herd. The continued decline in the dairy herd will also limit the growth of beef output.

Through 1975, beef production will increase less rapidly than projected consumption. The difference will be made up more by increased imports than by a decrease in exports of beef and live cattle to the United States.

Resources. Land for the expansion of grain production is more readily available than for cattle grazing. On newly cleared land full returns can be obtained with crops during the first year of operations, and established cropland can be easily and quickly converted from one crop to another. In eastern Canada, new varieties of corn will continue to be introduced.

Land available for expansion of cattle grazing is mostly in the west. Most available land resources are on established farms and ranches, but they need to be improved before cattle carrying capacity can be increased. For significant increases in forage production, land would have to be cleared, pastures seeded, or cropland converted.

Policy. Relatively poor wheat exports beginning in the 1967-68 marketing year led to a rethinking of Canadian agricultural policy. The result is an emphasis on agricultural diversification and improved grain marketing.

In the Canadian context (at least in the Prairie Provinces) agricultural diversification means less emphasis on wheat vis-a-vis other crops, and programs to encourage livestock production. The Canadian Wheat Board grain delivery quota system is now less biased in favor of wheat, and the Prairie Grain Advance Payments Act (for farm-stored grain) has been amended to make advance payments on barley and oats more favorable relative to wheat. Livestock production is encouraged in the Prairie Provinces by the Federal Government's forage incentive program and by several other Provincial Government incentive programs.

Canadian grain export marketing has become much more aggressive than it was in 1967. New and expanded markets for barley and oilseeds have been actively sought by offering to prospective customers more competitive prices and assured supplies. Market development missions have visited many countries. Markets for wheat have been sought in previously neglected less developed countries by offering concessional credit terms competitive with those offered by other exporters.

CANADA'S PRODUCTION AND EXPORTS OF PRINCIPAL GRAINS AND BEEF, 1970, 1971 AND PROJECTIONS FOR 1975

Item and year	Wheat	Barley	Oats	Corn	Beef
Production:	*Mil. bu.*	*Mil. bu.*	*Mil. bu.*[1]	*Mil. bu.*	*Mil. lb.*
1970	[2] 332	416	368	101	1,806
1971 [3]	522	656	371	101	(4)
1975-A [5]	676	527	291	142	2,193
1975-B [6]	546	439	279	104	2,193
Export availability:					
1970	[7] 434	[7] 172	[7] 13	[8 9] (18)	63
1975-A [5]	490	189	2	[8] (15)	[8] (89)
1975-B [6]	360	72	0	[8] (35)	[8] (89)

[1] Bushels are 34 lb. [2] Exceptional low production, a result of a 1-year wheat stock-reduction program. [3] Preliminary. [4] Not available. [5] Assumes a continuation of average 1967-69 prices. [6] Assumes grain prices will gradually decline to a level 15 percent below average 1967-69 prices. Livestock prices assumed to stay at 1967-69 levels. [7] Actual exports, year beginning Aug. 1. [8] Figures in parentheses indicate net imports. [9] Actual imports.

Bigger Demand For Lamb Causes Reexamination of Spain's Sheep Priorities

By CARLOS PÉREZ DE RUBÍN
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A decline in the importance of wool, coupled with a rising uptrend in the demand for lamb, is causing some Spanish sheep farmers to shift their priorities away from wool and milk to emphasize lamb output for meat. A new production technique is being used to increase the country's lamb numbers.

Spain has been noted for its sheep since ancient times (they were already famous in the Roman Empire at the beginning of the Christian era). Spain's golden age in sheepbreeding, however, did not occur until the Middle Ages when it developed the Merino breed, whose fine wool gave Spain a competitive edge in the wool trade from the 13th to the 18th centuries.

Until recent times, sheep farming in Spain consisted of large range-run flocks of sheep reared for their wool or small farm flocks used for both wool and milk. Some lamb was marketed, but only as a byproduct.

With the advent of synthetic fibers, the resultant decline in the demand for wool, and an increase in total lamb consumption from 110,000 metric tons in 1960 to 133,000 tons 10 years later, the order of priorities changed to milk, meat, and, lastly, wool.

Events in recent years, notably an upsurge in the production of cow's milk, from 2 million metric tons in 1960 to 3.5 million tons in 1970, and the continuing demand for lamb—particularly from the European Community, which bought over 1,000 tons of dressed lamb carcasses from Spain in 1970—may foreshadow another revision in the order of importance—with meat preceding both milk and wool.

In order to capitalize on the growing demand for lamb, Spanish sheep farmers must build up numbers of early maturing breeds of sheep or crossbreeds capable of yielding meat of an acceptable quality in the quantity needed.

Spain, however, does not have an already developed breed of sheep that can meet the challenge of increased demand for lamb. The native Aragonese breed provides meat of excellent quality, but because it is customarily reared for its wool and milk, little attention has been paid to those traits which would make it suitable for meat production. The Churra breed, the progenitor of the American Navaho sheep, is also important, but it is reared for its good dairy characteristics.

To build up the sheep population, which decreased about 3.8 million head during the past decade, increasing numbers of purebred breeding stock are being imported—up from under 500 head a year in the early 1960's to an average of 2,000 head a year in 1969-70.

To increase lamb output, some Spanish farmers are raising sheep in total confinement, making it technically possible to raise two lambs per ewe per year through early weaning, and to produce a heavier animal through controlled, scientific feeding.

While only two or three major farm-flock sheepbreeding operations followed this plan between 1965 and 1970, at least 10 now follow the practice.

The largest of these farms now in operation is located in the dryland area of Spain near Cabeza de Buey in the southwestern Province of Badajoz. It has a breeding stock of 6,500 head and its annual capacity is 12,000 lambs.

Newborn lambs on this farm are weaned to concentrates during their first 5 weeks, when they are moved to one of the farm's eight 250-animal-capacity feeding pens. Lambs there are fed exclusively on barley-soybean meal concentrates with suitable mineral-vitamin supplements; the average conversion ratio is 3.5 pounds of feed to 1 pound gain in live weight.

Lambs are sold at the age of 90 to 100 days, at a live weight in the 65- to 75-pound range. This is equivalent to a dressed weight of approximately 30-35 pounds, much like a U.S. young spring or "hothouse-type" lamb.

Young grain-fed lambs from this farm sell on the local market at a minimum of 36 cents per pound live weight. In contrast, this farm previously sold one-crop, 6- to 8-month feeders weighing 50-55 pounds for 23 cents per pound.

The trend is toward creating larger farm flocks of meat-type sheep. One problem to be overcome by lamb farmers is that many Spanish consumers customarily buy very young lamb—dairy-flock lambs about 6- to 8-weeks old. However, farmers are beginning to realize that selling lambs at such an early age is wasteful and uneconomical.

These consumers will have to be reeducated to purchase heavier lambs if breeders are to produce enough meat to meet domestic and export demands.

Barley and corn prices of major suppliers have strong impact on world grain trade

U.S. Feed Sales To Eastern Europe And the USSR

The recent sale of U.S. feedgrains to the USSR opens up a brand new market for U.S. feedgrain exports in Russia at a time when that country and many of its East European neighbors have established huge goals for increased livestock production and show signs of a swing to Western feeding practices.

It paves the way for expanded future grain trade with Russia following the President's decision in reversing the earlier directive that required at least half of grain tonnage destined for the USSR and certain other East European nations to be carried in U.S.-flag vessels.

The sale to the USSR also provides for export during the present marketing season of up to 80 million bushels of U.S. corn for which no market was otherwise in sight. This is approximately one-sixth of total U.S. corn exports during the 1970-71 marketing season.

Lastly, it cuts burdensome Government inventories of barley and oats, recovers almost $45 million of public funds invested in these commodities, and saves storage costs in excess of $9 million a year.—Statement by Assistant Secretary Clarence D. Palmby before Subcommittees of the House Agriculture Committee on December 8, 1971.

The increased use of grains in the United States for livestock and poultry feeding during the past 20 years has in recent years begun also to take place in other parts of the world. Japan has swung to a livestock-feed economy, with emphasis on swine and poultry, and the United Kingdom has done likewise. The European Community (EC) has also expanded poultry and swine production, but has not yet developed a favorable economic climate for the production of quality beef.

Now the trend to a livestock and feed economy is spreading to Russia and its neighboring East European countries, bringing with it a new opportunity for expanded exports of U.S. grains and other feed concentrates.

We are already into these East European markets to an increasing extent. U.S. soybean sales to the Central European countries—Poland, Czechoslovakia, Hungary, East Germany, Bulgaria, Yugoslavia, and Romania—have increased from $1 million in fiscal 1960 to $50 million last fiscal year. This increased use of soybean meal in the Central European countries is particularly significant because it indicates what may be about to take place in the USSR.

USSR Livestock Trends

Another clue to the future is the extent to which Russia and its neighbors are importing livestock products. Russia, for example, bought more than 100 million pounds of beef, veal, and mutton from Australia and New Zealand in 1970 and had almost doubled that quantity in the first 9 months of 1971. We have every reason to believe the USSR will make even larger purchases in 1972. Other East European countries have made substantial purchases of beef and veal the last 2 years, chiefly from Uruguay and Australia. They are also importing pork this year from Denmark, the Netherlands, and France.

The USSR also imported 65 million pounds of frozen poultry meat in the first half of 1971, mainly broilers supplied by the Netherlands, France, and Denmark, and currently there are reports of another large Dutch sale being negotiated.

Also important in the long run is the significant number of beef breeding cattle Russia is buying from Free World markets. This includes 300 head of U.S. cattle shipped from Richmond, Va., last September, nearly 1,000 head of Canadian cattle, and more than 100 Hereford bulls from the United Kingdom.

These purchases of breeding stock are thoroughly consistent with the ambitious goals the USSR has set for itself in the production of animal products. Its latest Five Year Plan projects a 27-percent increase from 1971 to 1975 for both meat and eggs and a 19-percent increase for milk.

For the same period, the goals in feed production are substantially less—between 10 and 13 percent for grains and approximately 15 percent for sunflowerseed. It seems obvious that if the animal product goals are attained, substantial imports of livestock feed will be necessary. This along with the growing import demand in neighboring countries is the potential market for feedgrain and protein sales to Russia and Eastern Europe.

Just how much of this business can the United States hope to attain? Any answer to that question must consider changes taking place in the world grain trade—and differences in the

pricing of corn and barley.

Since 1960, the total volume of world feedgrains has trended generally upward, and the volume of barley changing hands in recent years has been particularly notable. This is due to the rapid increase in barley production in Europe and Canada.

Meanwhile, up until this year, the volume of barley originating in the United States destined for export as compared to other origins had turned sharply downward.

Basically, the world barley price is determined by the pricing system in effect in Canada and the EC.

Canadian barley is priced and sold by the Canadian Wheat Board. Both the Board and the trade use the Winnipeg futures for barley, but prices are in fact set by the Board. Wheat Board asking prices for barley apply essentially to the domestic market. Export prices to specified destinations are adjusted to meet competition from other suppliers and from other feedgrains.

We calculate that some of Canada's recent heavy sales of barley for export have been at prices which are in the range of 20 to 25 cents per bushel below the price being charged to domestic users.

The EC, which topped all other exporters in volume of barley sales from 1967 through 1970, uses a system of subsidies called export restitutions. Under this system, the export price is adjusted as necessary to meet competition and may not be the same for all destinations.

Since 1968, the EC has been paying a general export subsidy on barley ranging from $37 per metric ton (81 cents per bushel) to $45.50 ($1.07 per bushel). In the case of shipments to North Africa and Eastern Europe, the subsidy has run up to as high as $1.21 per bushel. The EC also grants an additional $2-per-ton payment to exporters who ship to the Far East to cover the increased cost due to the closing of the Suez Canal.

These two highly competitive pricing systems are what the United States is up against in endeavoring to move barley in the export market. When other countries' supplies are ample, it is obviously impossible for the United States to expect to export barley in volume except at concessional prices.

U.S. Feedgrain Pricing

As to corn and grain sorghum, the United States is in a more fortunate position. Here the main price setting mechanism that determines both domestic and international feedgrain price levels is the Chicago Board of Trade futures market.

Prices are determined, in general, by buyers' and sellers' assessment of the supply-demand situation for corn. Some of the factors are prospective world supplies, world import forecasts, hedging pressure, speculators' assessment of what the price should be, changing growing conditions, feeding conditions as determined by livestock-grain price relationships, changes in ocean freight rates, and availability of storage.

Overseas, the day-to-day movement of feedgrain prices by other exporting countries is heavily dependent upon the movement of the Chicago corn futures for corresponding shipment periods. Some countries—like Thailand in the export price of corn—establish a definite tie between the Chicago corn futures and the price at which they offer Thailand corn delivered to a particular destination. In other cases, the relationship is not as fixed, or not as direct, but the principle is very much the same.

The EC, in setting its corn export subsidy, or South Africa, in conducting export sale tenders for corn, or even Canada, in determining the prices for export sale of barley, pay very close attention to the movement of the U.S. corn price. Similarly, international trading firms which have title to one of these exporting countries' grain, and which each day consider the price at which such grain can be offered for delivery to various world markets, must look first to the U.S. corn price. In all cases, the seller looks to U.S. corn as the primary indicator of competition and then sets his price at appropriate levels either above or below, taking into account the preferences of the buyer and the costs, including ocean freight.

If the country or firm is selling barley rather than corn, the relationship to corn can vary greatly from year to year depending on conditions. This is simply because barley is not an exact substitute for corn. Thus, in a year when feedgrain importing countries have had good barley crops of their own, or when there is an exceptionally large exportable supply of barley around the world, the so-called "world price" of barley, which normally is from 0 to 10 percent below the world price of corn, might instead be 15 to 25 percent below. This has been the case in the past year or two, and this is why the world prices of both barley and oats have gone below U.S. barley and oats prices, even though, in the case of corn, the U.S. and world corn prices are virtually one and the same.

As a result, the United States has consistently been able to export corn and sorghum at the free market price. On the other hand, such quantities of barley and oats as the United States has from time to time been able to sell from inventory have required a considerable price concession.

The U.S. Department of Agriculture's authority to sell CCC-owned commodities for export without limitations as to price stems from the Agricultural Act of 1949. That act specifically exempts sales for export from the requirement that CCC-owned grain may not be sold at less than 115 percent of the average loan rate plus carrying charge.

With the foregoing as background, the specifics of the Russian grain sale can be quickly told.

U.S. Sales Efforts

The sale had its roots in the following actions.

• Last June President Nixon rescinded the old Presidential directive which required that on grain sales to Russia and certain other East European countries at least 50 percent of the cargo must be carried on U.S.-flag vessels.

• In recent months several U.S. grain firms established contact with USSR representatives to see if they could develop sales to them.

• In late October the Continental Grain Company of New York informed the Government that it had a firm offer from the USSR to purchase 2.9 million metric tons of feedgrains and that it would prefer to ship most or all of this from the United States. At about the same time, another grain company, Cargill of Minneapolis, disclosed that it was engaged in

(*Continued on page 12*)

Hong Kong family eating U.S. chicken drumsticks.

Survey Indicates Hong Kong Could Utilize More U.S. Food Products

By NICK HAVAS
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Foreign Agricultural Service

A recent survey has revealed that many U.S. food products are finding markets in Hong Kong retail stores, restaurants, and hotels and that intensive market development activities probably could insure even larger sales.

The survey conducted by the Far East Research Organization (FERO) of Hong Kong for the Foreign Agricultural Service, sampled retail food outlets, hotels, and both Western- and Chinese-type restaurants. Surveyors found a varying degree of acceptance of U.S. food products by the three types of users, with the Chinese-type restaurants rating lowest and the retail stores at the top.

Hong Kong's economic climate is ideal for increasing U.S. food exports. Its political situation is relatively stable. Its per capita income, one of the highest in Asia, is climbing because of the scarcity of labor. Its industry continues to produce higher quality products and sell them in more diversified markets. Its tourism is expanding rapidly as more and more Asians begin to travel.

The British Crown Colony, with its 4 million plus people housed in less than 400 square miles, depends heavily on international trade for economic survival. It must import to feed its high-density population and supply its expanding industries, and it must export to bring in needed revenue. Thus, it is fairly free of import restriction.

The FERO survey showed that of the 50 retail outlets surveyed all of them imported canned fruits and juices from one or more sources and nearly all imported canned vegetables, prepared foods and meats, powdered milk, cheeses, and dried fruits.

These outlets handled more U.S. products than either hotels or restaurants and most handled all the U.S. foods on the survey list, with the exception of beef and cheese.

Although more than 30 countries supply food products to Hong Kong, items from the United States were by far the most prominent in the retail outlets. The United Kingdom and Australia were a distant second and third.

The United Kingdom and Australia did, however, equal or surpass the United States in selling such selected product lines as cereals, condiments, cheeses, and powdered milk.

The United States, on the other hand, led in supplying canned fruits, vegetables, juices, and chicken parts, and seemed to be the sole source for imported baby foods.

Although the United States was well represented by most products on the survey list, the study showed that beef was not handled by any of the outlets surveyed. There are, however, some specialty shops which sell U.S. beef.

Few of the retail outlets handled whole turkeys or turkey parts or products from any source. Also, very little U.S. chicken products were on sale.

Imported frozen whole chickens were among the products used by nearly all the 39 Western-type hotels and restaurants surveyed. Other products imported by these users included canned fruits and meats, fresh fruits and vegetables, juices, frozen beef, condiments, and cheeses. Very few of the hotels or restaurants in the sample, however, handled chicken or turkey products, powdered milk, or prepared foods. Beef was used by less than 30 percent.

The most prominently used U.S. products in the Western-type hotels and restaurants included fresh and canned fruits, canned juices, fresh vegetables, and condiments. None of them used U.S. poultry products and very few used any turkey or chicken parts or meats other than beef. Only one outlet stocked any U.S. dairy products.

Nearly all the 50 Chinese restaurants in the sample used imported fresh vegetables and condiments. Imported fresh fruits, fresh and frozen beef, and frozen whole chickens also were popular items. However, foods of U.S. origin were not

HONG KONG'S FOOD PURCHASERS

Product	Retail stores	
	From all sources	From U.S.
	Percent	*Percent*
Fruits	73	68
Vegetables	63	51
Juices	63	57
Baby foods	72	72
Chicken, frozen:		
Parts	76	72
Whole	82	30
Products	—	—
Turkey, frozen:		
Parts	6	6
Whole	20	18
Products	—	—
Beef, frozen	78	—
Other meats	90	56
Milk	90	83
Cream	66	34
Cheeses	98	14
Cereals	68	40
Condiments	94	67
Prepared foods	76	56

[1] Includes hotel dining rooms.

as well represented as in the other outlets. The majority of the Chinese restaurants used U.S. condiments and fresh vegetables; about half also used U.S. fresh and canned fruits; none had any U.S. beef or turkey; and an insignificant number carried any of the other products on the survey list.

The survey indicated two targets for U.S. promotional efforts.

First, there is a general need to maintain and expand retail sales and distribution to all three types of users.

And second, there is a more specific need to create increased acceptance and expanded use of U.S. food products at the institutional level with some emphasis on Chineses-style restaurants, particularly for U.S. foods adaptable to Chinese menus. These could include whole chickens and turkeys, chicken and turkey parts, fully or partially processed poultry products, less expensive beef cuts, fresh fruits and vegetables, some of the convenience foods, and products produced in Hong Kong from U.S. raw materials.

Promotional efforts might include point-of-purchase promotions, menu promotions in hotels and restaurants, personal contacts with management personnel of retail and institutional outlets and importers, and intensive advertising campaigns in all media, including newspapers, magazines, flyers, television, and radio. Such promotions can be run on a cooperative basis.

For example, a campaign to promote the eating of bread by Chinese residents was launched November 2 at a press conference in Hong Kong. The bread promotion is being sponsored by the Hong Kong Wheat Products Promotion Committee, which consists of three flour mills; Garden Co., a large bakery; Continental Overseas; and Wheat Associates, USA.

Newspaper, radio, television, magazine, cinema, and point-of-purchase advertising are being used to remind consumers to **eat bread every day.** The advertising campaign was planned to run for three alternating months ending with March 1972. The first segment took place in November and the second is running this month.

ARE BUYING IMPORTED FOODS

Western-type restaurants [1]		Chinese restaurants	
From sources	From U.S.	From all sources	From U.S.
ercent	Percent	Percent	Percent
100	91	62	42
95	64	100	86
92	74	20	12
—	—	—	—
64	13	10	—
97	18	84	4
18	—	6	—
23	5	—	—
64	39	4	—
8	—	—	—
97	28	80	—
100	10	90	6
49	3	38	12
64	5	34	10
95	3	34	2
62	18	10	—
95	56	98	70
13	—	6	4

Strike Hampers Shipments to Japan But Imports of U.S. Citrus Are Up

The 100-day west coast dock strike disrupted U.S. citrus fruit imports by Japan during the July 1-October 7 period, but total shipments for 1971 will, in most cases, show increases over 1970's.

Japan lifted its quantitative import restrictions on grapefruit effective June 30, 1971, and U.S. producers increased their shipments to that country almost immediately. Unfortunately, the dock strike prevented Japanese citrus dealers from importing as many U.S. grapefruit as they desired.

During the first 6 months of 1971—prior to the lifting of the limitations—Japan's total grapefruit imports amounted to 1,478 tons. In the next 3-month period, Japan imported an additional 2,675 tons—mostly from the United States. Of the first 9 month's total (4,153 tons), this country supplied all but 228 tons.

Japanese trading circles estimate that imports of grapefruit during the last 3 months of 1971 would amount roughly to some 6,000 metric tons, bringing total imports to around 10,000 tons.

The west coast shipping strike also hampered shipments of U.S. lemons to Japan. Based on performance during the first 9 months of the year, Japanese lemon imports during 1971 are expected to total around 55,000 metric tons, slightly more than the 54,044 tons imported in 1970. The United States supplies virtually all lemons imported by Japan.

Imports of oranges in the January-September period of 1971 totaled 4,589 metric tons, of which 3,807 tons were from the United States and the remainder from South Africa. Based on the size of the orange quota assigned to importers during the Japanese fiscal year (beginning Apr. 1, 1971), calendar 1971 orange imports may reach 6,000 metric tons, compared with imports of 4,313 tons in 1970.

Imports of oranges, tangerines, and all fruit juices (except lemon juice) remain under the import-quota system. At the present time there is no indication that the Government of Japan is considering a liberalized schedule for these items. However, Japan is under growing pressure from several countries to remove the quota from numerous commodities including these citrus fruits and products.

Imports of orange and grapefruit juices are generally made under specific allocations to provisioners of hotels, international airlines, and ships. Although the sizes of these quotas are not announced, it is believed that the quota for orange juice during Japan's 1970–71 fiscal year was 555 metric tons, while the quota for grapefruit juice was 80 tons.

U.S. citrus fruit may meet more competition on the Japanese market in the near future. Several citrus producing countries, including Israel, Spain, and Australia, have asked that quarantine regulations be changed to allow their citrus to be imported into Japan.

Two Japanese plant quarantine officials have inspected the Israeli citrus industry. It is anticipated that after the development of technical procedures, Japan will allow importation of Israeli citrus under controlled conditions.

—Based on a dispatch from
ELMER W. HALLOWELL
U.S. Agricultural Attaché, Tokyo

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Jan. 5	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14 ..	2.01	−1	[1] 2.06
USSR SKS-14	1.89	0	2.06
Australian FAQ	1.89	0	1.88
U.S. No. 2 Dark Northern Spring:			
14 percent	1.92	0	2.07
15 percent	1.98	+4	2.10
U.S. No. 2 Hard Winter:			
13.5 percent	1.78	0	1.97
No. 3 Hard Amber Durum..	1.81	−4	2.01
Argentine	1.81	0	([2])
U.S. No. 2 Soft Red Winter..	1.74	0	1.88
Feedgrains:			
U.S. No. 3 yellow corn	1.44	+1	1.80
Argentine Plate corn	1.59	+3	1.95
U.S. No. 2 sorghum	1.56	+4	1.64
Argentine-Granifero sorghum	1.56	+2	1.65
U.S. No. 3 feed barley	1.27	0	1.56
Soybeans:			
U.S. No. 2 Yellow	3.43	0	3.27
EC import levies:			
Wheat [3]	[4] 1.60	+4	1.40
Corn [5]	[4] 1.07	−3	.63
Sorghum [5]	[4] .95	0	.73

[1] Manitoba No. 2. [2] Not quoted. [3] Durum has a separate levy. [4] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [5] Until Aug. 1, 1972, Italian levies are 19 cents a bu. lower than those of other EC countries. Note: Basis—30- to 60-day delivery.

India's 1971-72 Wheat Crop Expected Up Over Last Year

Favorable soil moisture conditions in northern India have encouraged extensive sowings of winter wheat. The 1971–72 wheat crop is expected to exceed last year's 23-million-ton record by 2 million tons.

Upward Trend in World Rice Production Halted

In spite of many adverse weather conditions and official restraints on production in Japan and the United States, world rice production in 1971–72, outside Communist Asia, is estimated at 200 million metric tons, which is equal to last year's record harvest. However, when Mainland China's harvest, tentatively set at 94 million tons as compared with 97.5 million tons last year, is added, total world production is down 2 percent from 1970–71. This is the first time since 1966 that world rice output has failed to reach a record level.

Elsewhere, declines in production occurred in Brazil, Japan, Cambodia, Pakistan, and the Philippines, but were offset by increases in other areas.

U.S. Share of Japanese Wheat Market Declines

While total Japanese wheat purchases increased 48,000 tons, or 1½ percent, to 3.5 million tons during the first 9 months of the current Japanese fiscal year (April–March), the U.S. share of these purchases dropped from 59 percent during a like period a year ago to 40 percent. Canadian and Australian percentages of the market, however, increased from 23 percent to 31 percent and 18 percent to 29 percent, respectively, during the comparable periods. The decline in the U.S. share was due mainly to the west coast dock strike, according to the Japanese Food Agency.

Canada Sells 3 Million Tons Of Wheat to Mainland China

Canada has sold about 3.2 million metric tons (117 million bushels) of wheat to Mainland China for shipment in calendar 1972. Canada sold 2.3 million tons of wheat to China in September 1969, 2.7 million tons in October 1970, and 508,000 tons in September 1971.

Considering China's commitments, if deliveries of the new purchase are spread evenly over calendar 1972, China would be taking a total of about 3.0 million tons of wheat from all sources for the July 1971–June 1972 season as compared with 3.6 million in 1970–71.

DAIRY AND POULTRY

West German Poultry Industry Suffers Financial Reverses

The West German poultry industry reportedly is making a serious effort to adjust production to the expected rate of growth in consumption. After 2 years of heavy financial losses as a result of fierce price competition with the Dutch, the German industry apparently will now concentrate on maintaining their present share of the domestic market.

In a further effort to support the domestic industry, the Federal Government granted an additional DM9 million ($2.8 million) to the poultry stabilization fund as compensation for calculated losses suffered as a result of the floating

deutsche mark. This brings total Government payments during the second half of 1971 to DM17 million ($5.2 million).

Total slaughter of all types of poultry during July–September 1971 amounted to 56,222 metric tons, an increase of 16 percent over the same period in 1970. However, the rate of increase in broiler slaughter during the third quarter was substantially below the extremely high level experienced during the comparable period a year earlier. In 1970, total German production of poultry meat amounted to 260,000 tons, of which broiler output was placed at 152,000 tons.

West German imports of all poultry meat, fresh or frozen, totaled 59,309 tons during July–September 1971, slightly above the third-quarter imports of 1970. The Netherlands, the major supplier, increased its marketings by 11 percent. Imports from the United States declined to 1,397 tons for the quarter, partly because of the U.S. dock strike. Imports of poultry meat from all sources in 1970 totaled 239,400 tons as compared with 218,000 tons in 1969.

TOBACCO

Argentina Increases Cigarette Prices

The Argentine Ministry of Commerce has authorized an increase of about 4 percent in the price of cigarettes beginning October 25.

This is the third price increase within the year. The major part of the increase goes to the Government in excise tax. Currently, the Government is imposing a 66-percent excise tax on all cigarette sales.

SUGAR AND TROPICAL PRODUCTS

Sugar Futures and Prices Reach 7-Year High

World sugar futures broke an alltime trading record on the New York Coffee and Sugar Exchange on December 15, when 11,110 sales were recorded. This surpassed the previous record by over 3,500 contracts. The price for world raw sugar (f.o.b. stowed, Caribbean) was 7.2 cents per pound on December 23—the highest price in 7½ years. Futures prices for the next year were very close to the spot price.

Although world sugar production in 1971–72 is expected to be a record, world consumption will exceed it. Stocks will be drawn down by several million tons, and the sugar supply situation will be somewhat tight.

LIVESTOCK AND MEAT PRODUCTS

Inedible Tallow Prices Decline

Fancy (bleachable) inedible tallow prices (f.o.b. Chicago) fell to a low of 5¼ cents per pound on December 14. This is the lowest level since late February 1969. In March 1971 the price was 8½ cents.

The factors which have contributed to this decline are: (1) The west coast dock strike, which caused importers in the Far East to turn to other sources, principally Australia, Canada, and New Zealand; (2) the India-Pakistan war—India and Pakistan are both large purchasers of U.S. inedible tallow; (3) a buildup of stocks in storage; (4) a cessation of exports under P.L. 480; (5) restraint in AID-financed purchases; and (6) the decline in corn prices, which may have caused a reduction in the use of tallow in feed.

FATS, OILS, AND OILSEEDS

Foreign Imports of Oilseeds and Meals Decline in 1971

Cumulative imports of the major oilseeds and meals, including fishmeal, into the eight major importing countries (seven European countries and Japan) during January–July 1971 amounted to 9.73 million metric tons, soybean meal equivalent, compared to 9.82 million tons in the same months of 1970. The 1-percent decline this year compares with a growth of 13.8 percent in the same 7-month period a year ago.

Despite the decline, imports of soybeans and meal, on a meal basis, increased to 6.3 million tons, accounting for a record 64.7 percent of the total.

IMPORTS OF OILSEEDS AND MEALS INTO MAJOR IMPORTING COUNTRIES

Item	January-July 1969	1970	1971
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*
Soybeans	4,420	5,992	6,298
Fish	1,520	1,251	894
Peanuts	908	805	628
Rapeseed	254	191	340
Other	1,529	1,581	1,568
Total	8,631	9,820	9,728
	Percent	*Percent*	*Percent*
Share of soy in total	51.2	61.0	64.7

Crops and Markets Index

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U.S. Feedgrain Sales to USSR

(Continued from page 7)

negotiations with the USSR and also hoped to complete a sale.

• Before any sale could be successfully carried out, it was necessary to induce the maritime unions to agree to load grain for the Soviet Union on foreign-flag vessels, which they had announced they would not do despite the President's June action. Agreement was successfully reached on this point as a result of White House leadership.

• Government spokesmen informed the exporters that they hoped a large part of the export sales might be U.S. corn or grain sorghum. The Russians, however, wanted to buy some volume of barley and were willing to take some oats.

(There are probably several reasons why the USSR would be reluctant to take this entire quantity of feedgrains in the form of corn and sorghum. One is the lack of "know-how" as to feeding a high percentage of corn to livestock. Another is lack of processing equipment, particularly for sorghum.)

• Spokesmen, nevertheless, expressed a willingness to sell barley and oats at world market prices for export to the USSR if the United States could be assured that the transaction would include substantial sales of U.S. corn or grain sorghum purchased on the open market.

Supplying barley would be in accord with Russian wishes, and the CCC inventory was ample. The United States was particularly anxious, besides, to include oats, since it has an excessive inventory of that commodity—some of it dating back to the 1964 crop. All of this, of course, is grain which U.S. farmers have in effect "marketed" by delivering it to the CCC in payment of support loans.

• It was on this basis that the transaction was finally worked out by the various public and private interests involved. The U.S. Department of Agriculture on November 4 issued an invitation offering to sell No. 2 or better barley and No. 2 or better heavy white oats for export on competitive bids. The invitation required that the foreign buyer must be acceptable to the CCC. Moreover, the purchaser would be required to agree to export 1 metric ton of U.S. corn and/or grain sorghum from private stocks for each metric ton of barley or oats purchased.

On a second invitation issued November 11, the barley specification was changed to No. 3 or better, when it was learned that the lower grade was acceptable to the Russians.

• All prices at which the barley and oats were sold are above the levels at which oats and barley of other countries have recently traded in world markets.

Effects of U.S. Sales

These sales should help relieve the pressure on the domestic market for corn, barley, and oats at a time when U.S. feedgrain production is at an alltime high and supplies are exerting strong downward pressure on domestic farm prices. Corn farmers, in particular, will benefit from an additional export market that is sure to amount to approximately 50 million bushels and could reach 80 million, or nearly 16 percent of last year's total corn exports.

The barley sold from the CCC inventory represents 51 percent of last year's exports, and the oats totals substantially more than all the U.S. oats exported last year.

Taking a longer range view, this could be the opening wedge in an even larger volume of agricultural trade with Russia in future years. The USSR is a desirable trading partner that can be of great value to us because it pays cash that contributes directly to our balance of payments. Its feedgrain purchases are expected to expand as it strives to supply the demand of its people for more meat products. Its feeding industry is likely to become more sophisticated, reducing its traditional reliance on barley and root crops and creating a demand for more corn, sorghum, and protein meal.

If we are to share in this business, we must be prepared to meet international price competition. The arrangement that was used in this case was designed to accomplish this goal.

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